

**A
SUPPLEMENT
TO
THE
FORT LEE
STUDY:**

**ECONOMIC
IMPACTS
ON**

**SOUTHPARK
MALL**

AND

**THE CITY
OF
COLONIAL
HEIGHTS**

PREPARED FOR

The Crater Planning District Commission

PREPARED BY

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Fort Lee's Economic Impact – Southpark Mall and the City of Colonial Heights

Prepared by the Virginia Employment Commission (VEC), in association
with Southpark Mall and the City of Colonial Heights

The closure of Fort Lee would have a significant economic impact on the surrounding area. To underscore this point, consider the specific impact that a closure would have on Southpark Mall and the City of Colonial Heights. Opened in 1989, the 740,000 square foot mall serves as the primary regional shopping center in the Quad-Cities Area. With the closure of Fort Lee, we forecast a significant impact on the Mall and, by extension on Colonial Heights.

According to data obtained from Southpark Mall and the City of Colonial Heights, retail sales at the Mall, combined with those of two nearby strip centers, Southpark Crossing and Southpark Square, are estimated at \$176 million in 2002. The sales tax revenue generated for Colonial Heights from these sales is estimated at \$1.77 million. Additionally, food sales of more than \$7 million generated an estimated \$435,000 in food tax revenue. Colonial Heights also collects significant business license fees from the Mall and strip centers. In 2002, these fees were estimated at more than \$450,000.

Colonial Heights receives additional revenue from the Mall and centers in the form of real property tax payments. With an assessed value of over \$53 million, the Mall is responsible for about \$645,000 in property taxes at the City's rate of \$1.20 per \$100 in value. Southpark Crossing, Southpark Square, and the "service" strip center Park South have a total assessed value of more than \$18 million, resulting in property taxes totaling more than \$215,000 and bringing the total property taxes for the Mall and centers to more than \$860,000.

In total, the revenue for Colonial Heights generated in retail, food, and property taxes, as well as license fees, are estimated at \$3.5 million in 2002.

Polls of merchants indicate that the Mall and strip centers would expect to lose about 10 percent of their sales if Fort Lee were to close. A 10 percent loss would mean a total decline in sales of \$18 million at the development. For Colonial Heights, this would represent a decline of \$220,000 in retail and food sales tax revenue. While difficult to quantify, a decline in property values would likely follow a drop in sales at the development, further eroding Colonial Heights' tax revenues. Additionally, a serious decline in sales revenue could force some stores to close and lead to a loss of licensing fees for Colonial Heights.

While it is not within the scope of this study to poll all the merchants in the greater Southpark Mall area, if the assumption of a 10 percent decline in sales is applied to the region, the implications for Colonial Heights are even more dramatic. The Southpark region, including the Mall, is estimated by the City to have generated \$8.7 million in revenue for Colonial Heights in 2002. More than \$5.5 million of this revenue was in the form of retail and food sales taxes. If one maintains the assumption of a 10 percent decline in sales across the region, Colonial Heights could expect a loss of around \$555,000 in food and retail tax revenue alone. Further revenue losses could be expected from eroded property values and loss of business licensing fees.

The \$8.7 million generated by the greater Southpark area represented almost a quarter of Colonial Heights' \$35 million budget for 2002. The potential \$555,000 loss in estimated food and retail tax revenue resulting from a closure of Fort Lee would be a reduction of more than 1.5 percent in the city's budget. The \$3 million in property taxes and business license fees from the Southpark area make up nearly 9 percent of the Colonial Heights budget. Any declines in these

revenue sources resulting from closure of Fort Lee would therefore have a significant additional effect on the region.

Southpark Mall and the surrounding strip centers employ about 3,050 people. Of these employees, 50 are full-time mall staff. The remainder are employees of the various stores. It is projected that a 10 percent loss of sales would lead to the elimination of the equivalent of 230 full time retail jobs in the mall and nearby strip centers. Since approximately half of the mall's retail employees are part-time, the actual number of people affected could be significantly more than 230. Looking at the broader Southpark area and again maintaining the assumption of a 10 percent loss of sales pursuant to closure of Fort Lee, we anticipate the loss of approximately 700 jobs. An employment decline of this magnitude would mean better than \$10 million in lost wages.

The overall impact on Colonial Heights of closing Fort Lee would indeed be significant. Large numbers of jobs would be eliminated and the tax base for the City would be substantially reduced. In total, Colonial Heights and the region could expect to lose approximately \$50 million in output (the value of goods and services produced and sold) if Fort Lee closed. This figure includes the direct loss of output in the retail and food sectors that dominate the Southpark area, as well as the tertiary effects on suppliers to those businesses and reduced consumption as a result of lost wages in the region.